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COMMUNIST CHINESE DEFENSE BUDGET

1. (S/NFD) Trends

	<u>CY 63</u>	<u>CY 64</u>	<u>CY 65</u>	<u>CY 66</u>	<u>CY 67</u>	<u>CY 72</u>
<i>Estimated</i> Defense Budget (Billion 1957 Yuan)	7.6	8.7	10.7	12.3	12.6	16.3
Defense Budget as % of GNP	7.3%	7.9%	9.4%	10.2%	10.7%	10.7%

Table 1. Distribution of Communist Chinese Estimated Military Expenditures (Percentage of Total)

<u>Mission Program</u>	<u>CY 63</u> (%)	<u>CY 64</u> (%)	<u>CY 65</u> (%)	<u>CY 66</u> (%)	<u>CY 67</u> (%)	<u>CY 72</u> (%)
Strategic Attack	14	14	12	12	15	23
Strategic Defense	20	27	29	29	29	32
General Purpose	60	54	52	50	47	34
Command & Support	3	2	2	2	2	2
RDTE	3	3	5	7	7	9
Total	100	100	100	100	100	100

No meaningful equivalent dollar estimate of Chinese total or mission oriented expenditures can be made because the large differences in relative personnel costs would greatly distort the figures. The following estimates of the approximate dollar value of major procurement programs, however, provide a measure of the magnitude of Chinese weapon systems production.

Table 2. Communist Chinese Estimated Procurement of Military Hardware (Millions of 1964 U.S. Dollars)

<u>Mission Program</u>	<u>CY 63</u>	<u>CY 64</u>	<u>CY 65</u>	<u>CY 66</u>	<u>CY 67</u>	<u>CY 72</u>
Land Arms & Ammo	304	323	357	414	428	333
Vessels	59	71	182	208	272	174
Aircraft	33	146	241	243	223	581
Missiles	2	7	12	35	97	296

DIA
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2. (S/NFD) Significance

General. Communist China's military budget, as a percentage of GNP, has increased 50 percent from 1963 to 1967, and it is estimated that it will remain within 10-12 percent of GNP in the foreseeable future. This assumes a 4-5 percent average annual GNP growth rate, slightly above the average rate of 1963-67, but consistent with reasonable projected increases for China's agriculture and industry.

Strategic Attack. The percentage of military expenditures allocated to strategic attack forces remained fairly constant throughout 1960-67, but will increase by about two-thirds, to 23 percent, by 1972. During the pre-1967 period atomic weapons development accounted for most of the expenditure. In the post 1967 period production of TU-16 bombers, ICBMs, and MRBMs is expected to begin and will account for rising costs.

Strategic Defense. Expenditures will continue to increase in relative importance, rising to approximately 32 percent of the Defense Budget by 1972. Air defense will be emphasized by the extensive deployment of MIG-21 fighters.

General Purpose. Expenditures probably will be growing throughout the period as reequipment of the army with new weapons continues.

Research and Development. Expenditures for research and development are estimated to increase to 9 percent of the Defense Budget in 1972. This assumes a 10 percent annual growth in R&D spending which is considered modest in light of past trends and ambitious weapon systems development programs for the future.

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